Supreme Court, U.S.
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No. 95-551

IN THE
# Supreme Court of the United States
OCTOBER TERM, 1995

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SEARS ROEBUCK & CO.,
*Petitioner*,
v.
U.S. PHILIPS CORPORATION,
NORTH AMERICAN PHILIPS CORPORATION and
N.V. PHILIPS GLOEILAMPENFABRIEKEN,
*Respondents.*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit**

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## REPLY BRIEF FOR PETITIONER

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## TABLE OF AUTHORITIES

*Cases:* Page

*Bates v. Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 503 U.S. 1005 (1992) ..... 2

*Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) ..... 3

*U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 115 S. Ct. 386 (1994) ..... 2, 3

*U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed. Cir. 1992) ..... 3

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Philips' Brief in Opposition is largely unresponsive to the Petition's showing that the single clear-cut question presented deserves review on certiorari. While we vigorously deny Philips' quibbles about the Petition's statement of the case and Philips' irrelevant characterizations of statements that various parties have made in different forums, no point would be served by a detailed refutation here. Nor is this the place for argument on the merits of the question, which will properly await the grant of certiorari. It should be noted, however, that Philips' effort to differentiate its trade dress claim in this case from the claim that was rejected in Florida (Opp. at 2-3) is belied by the fact that the District Court below originally granted summary judgment against Philips based on col-

lateral estoppel, and reinstated the claim only because of the vacatur of the Florida judgment whose effect is the subject of the question presented by the Petition.

Philips' contentions regarding certworthiness need only a brief response.

1. The question presented by the Petition is precisely the question raised and briefed below. The parties vigorously disputed whether the vacated trade dress judgment against Philips should retain its collateral estoppel effect under all the circumstances of this case. The arguments in support of Petitioner's position—including the impropriety of the vacatur in light of *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*, 115 S. Ct. 386 (1994),* and the impact of *Bates v. Union Oil Co.*, 944 F.2d 647 (9th Cir. 1991), *cert. denied*, 503 U.S. 1005 (1992)—were briefed and debated extensively in the court below.

2. While Philips claims that "[c]ourts have uniformly ruled that collateral estoppel requires a final judgment" (Opp. at 7, heading II), not a single authority upon which it relies denied collateral estoppel effect to a final judgment subsequently vacated pursuant to a consensual settlement. In fact, the only precedent in the Opposition which addresses this issue is *Bates*, where the Ninth Circuit held that a judgment, improperly vacated upon settlement can and does retain its collateral estoppel effect. The court below held the precise opposite—that a later court can never give collateral estoppel effect to a vacated judgment—even if the vacatur was improper. That is the conflict which this Court should resolve.

3. Philips' argument that the result sought by Petitioner "would destroy the finality of judgments" (Opp. at 10, heading III), is based on the false premise that Petitioner is seeking to apply *U.S. Bancorp* retroactively to

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* This Court's *sua sponte* decision to review the propriety of vacatur upon settlement was brought to the Court of Appeals' attention by letter after briefing was completed. Philips responded and the import of *U.S. Bancorp* was discussed at oral argument.

*U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed. Cir. 1992). If Petitioner is successful, the vacatur in *Windmere* will remain in place and the finality of that case will not be altered. The only impact will be to preclude Philips from asserting prospectively the trade dress rights which were determined to be invalid in Florida. For the same reasons, Philips' listing of "more than one hundred federal and state decisions in which judgments have been vacated or reversed upon settlement" (Opp. at 11) is of no moment. The results in each of those cases (as well as any other concluded case) would remain intact. If anything, those cases exemplify the importance of the question presented by the Petition by showing the likelihood of other situations where defeated plaintiffs would *prospectively* assert intellectual property and other rights previously found to be invalid after a full and fair trial. Allowing Philips and others to do so would not only be inconsistent with *U.S. Bancorp*, but would also disserve the collateral estoppel principles of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

For these reasons and those stated in the Petition, certiorari should be granted.

Respectfully submitted,

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